

Internal Audit Report
DOLLIS JUNIOR SCHOOL
27 March 2017

Report circulated to:

Chair of Governors
Head Teacher
Education & Skills Director
Commissioning Director (Children & Young People)
Schools Finance Services Manager (Finance Service)
Local Authority Appointed Governor
Clerk to Governors

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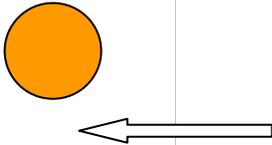
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1. Executive Summary

<p>Introduction</p>	<p>The audit of Dollis Junior School was carried out as part of the planned School audits for 2016-17. The audit review covered the period April 2015 to February 2017.</p> <p>The aim of the audit is to provide assurance on key areas of financial management. The review covered all major systems within the school to ensure compliance with the Scheme for Financing Schools and the Barnet Financial Guide for Schools, including Barnet Contract Standing Orders for Schools.</p> <p>The scope of the audit included assessment of the following:-</p> <ul style="list-style-type: none"> ▪ adequacy of accounting, financial and other controls; ▪ compliance with established plans and procedures; ▪ the integrity and reliability of financial and other information; ▪ whether assets and other interests of the Council are properly safeguarded; and ▪ whether the use of resources achieves value for money. <p>In addition to the above, a review of the ‘Schools Financial Values Standard’ (SFVS) self assessment was conducted to ensure that the self assessment has been completed in line with requirements. The standard has been designed to assist schools in managing their finances and to give assurance that they have secure financial management in place.</p>
<p>Background</p>	<p>Dollis Junior School is a Foundation school with 334 pupils on role aged between 7 and 11 years of age. The School budget for 2016/17 is £2,188,601 with employee costs of £1,565,687 (72% of the delegated budget).</p> <p>The School was assessed as ‘Good’ by OFSTED in January 2015</p>
<p>Previous Audits</p>	<p>A review of the five recommendations reported in the previous audit report dated 9 January 2013 found that two recommendations had been partially repeated (Purchasing/Voluntary funds).</p>

	None	Limited	Satisfactory	Substantial
<p>Audit Opinion and Direction of Travel Last audit: Satisfactory Assurance Jan 2013</p>				

Key Findings

As part of the audit we were able to give '**Limited**' assurance to the school, noting one high, two medium priority, and five low priority issues as part of the audit:

- Budget Monitoring– Monitoring and control should be a continuous process throughout the financial year. Monitoring reports should be accurate so that early detection of significant deviation from the financial plan is possible; (High Priority)
- Purchasing – Procedures when using the school charge card should be reviewed to ensure a complete audit trail, separation of duties and proof of receipt of goods. Delivery notes should be signed to confirm receipt of goods; (Low Priority)
- Income – Paperwork is incomplete for money received into the school office for breakfast club; (Low priority)
- Payroll – There should be documentation in school to prove that overtime claimed has been authorised by a member of the senior management team prior to entry into the online payroll system. Changes to the school business manager's salary should be formally approved; (Medium Priority)
- Tax – VAT has not been charged on invoices to a local business; (Low priority)
- Voluntary funds –The school fund was last audited to March 2009. The school fund should have been audited annually until the closure of the account in December 2015; (Medium priority)
- Assets – The inventory was not found to be up to complete. No dates of purchase or cost of purchase were noted on the inventory for items listed prior to May 2011. (Low priority)

Following our 'Schools Financial Values Standard' (SFVS) self – assessment review we were able to confirm that there were no major discrepancies in judgements noted, however, although the School has responded with 'Yes', 'No', or 'n/a', in the areas outlined below, it is the opinion of audit that this area has either not been met, or met 'In-Part' (refer also to appendix C below):

A1: In the view of the governing body itself and of senior staff, does the governing body have adequate financial skills among its members to fulfil its role of challenge and support in the field of budget management and value for money?

- The school has answered 'Yes/In part'. Governor competency forms were not available at the audit. Skills gap was not addressed on a timely basis.

A5: Are business interests of governing body members and staff properly registered and taken into account so as to avoid conflicts of interest?

- The school has answered 'Yes', but there was no evidence of review of business interests of staff. Business interests of Governors were not noted in 2016 and not displayed on the school website.

B11: Does the school make a forward projection of budget, including both revenue and capital funds, for at least three years, using the best available information?

- The school has answered 'Yes', but the three year budget forecast had not been consistently prepared and reviewed

B12: Does the school set a well-informed and balanced budget each year (with an agreed and timed plan for eliminating any deficit)?

- The school has answered 'Yes', but the school accountant stated that the 2016 budget was incomplete

B13: Is end year outturn in line with budget projections, or if not, is the governing body alerted to significant variations in a timely manner, and do they result from explicitly planned

changes or from genuinely unforeseeable circumstances?

- The school has answered 'Yes', but the school accountant made significant changes to the school budget in February 2017 to ensure that year outturn will be in line with budget projections

C14: Does the school benchmark its income and expenditure annually against that of similar schools and investigate further where any category appears to be out of line?

- The school has answered 'Yes', but there was no evidence that benchmarking had been completed prior to 2 February 2017 by the school accountant.

C16: Are balances at a reasonable level and does the school have a clear plan for using the money it plans to hold in balances at the end of each year?

- The school has answered 'No' as the school is forecasting a deficit for 2016/17. The plan for 2017/18 suggests that savings of £114,801 in staffing costs will be made in 2017/18, but information was not available at the audit visit to support this

D20: Is the governing body sure that there are no outstanding matters from audit reports or from previous consideration of weaknesses by the governing body?

- The school has answered 'Yes', but two findings from the previous audit have been repeated (Purchasing/Voluntary funds)

D21: Are there adequate arrangements in place to guard against fraud and theft by staff, contractors and suppliers?

- The school has answered 'Yes', but refer to audit Findings/Recommendations; (Purchasing/Income/ Payroll/Voluntary funds/Assets), which should be addressed to ensure procedures are as robust as possible

D24: Does the school have adequate arrangements for audit of voluntary funds?

- The school has answered 'n/a', but the School fund was not audited on an annual basis from 2009 to 2015.

D25: Does the school have an appropriate business continuity or disaster recovery plan, including an up-to-date asset register and adequate insurance?

- The school has answered 'Yes, but the asset register was not found to be complete

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Area of Scope	Adequacy of Controls	Effectiveness of Controls	Number of Recommendations Raised		
			Priority 1	Priority 2	Priority 3
Governance					
Financial Planning					
Budget Monitoring			1		
Purchasing					1
Contracts					
Income					1
Lettings					
Banking & Petty Cash					
Payroll				1	
Tax					1
Voluntary Funds				1	
Assets					1
Insurance					
Data Security					
Pupil Premium					
Safeguarding*					
Schools Financial Values Standard					1

* Scope limited to confirmation as to whether the school has completed a Safeguarding audit tool and whether any issues were noted over its Single Central Record.

Acknowledgement	The auditors would like to thank the Headteacher and staff of Dollis Junior School for their help and co-operation during the audit.
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2. Findings and Recommendations

P	Audit Objective & Detailed finding	Risk	Recommendation	
H	<p><u>1. Budget Monitoring</u> Objective - To ensure that the School carries out regular monitoring of income and expenditure against agreed budgets, providing effective financial management.</p> <p><u>Finding:</u> The school prepared an annual budget for 2016/2017 which was approved by the Governors in March 2016. However, although a balanced budget was submitted for 2016/17, the school has forecast a deficit of £30,639 at 31 March 2017 and applied to LBB for a licensed deficit in February 2017. The deficit is attributable to an error in the budget set for 2016/17 and the inability to employ permanent teachers and teaching assistants leading to higher than budgeted staff agency costs.</p> <p>The Financial Guide for schools requires that monitoring and control should be a continuous process throughout the financial year. Monitoring reports did not promptly highlight variances from the budget so that investigations could be made and action taken.</p>	<p>The budget may not be adequately controlled and monitored resulting in budget overspends or fraud going undetected. The Governing Body may not be able to discharge its responsibility for effective budget monitoring and control, if accurate and timely information is not provided as required.</p>	<p>The school should refer to the Financial Guide for Schools section 2.5 (Budget monitoring and control) for guidance. Where a lack of financial skills is identified in the governing body, action should be taken to recruit or obtain skills to fulfil its role of challenge and support in the field of budget management and value for money.</p>	
Management Response			Responsible Officer	Implementation By
<p>This has been noted. The School had already set up a more rigours monitoring system since October 2016 and have worked tirelessly to reduce the original forecasted deficit. These systems will continue to be reviewed as part of our on-going structural changes in this area.</p> <p>In the interim, we will continue to monitor our budget using Gina North(FM4S) and the Finance Committee</p>			Finance Committee	On going

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P	Audit Objective & Detailed finding	Risk	Recommendation	
L	<p><u>2. Purchasing</u> Objective - To ensure that the School's purchasing, tendering and contracting arrangements achieve value for money</p> <p><u>Finding:</u> a) The school has a school charge card issued to the Headteacher that is used to purchase school supplies online. The school uses a Credit card expenditure approval form to record approval of payment, however the procedure does not include keeping a record of signed authorisation prior to purchase being made, and there was no proof of receipt of goods filed for charge card payments made in 2016. b) During our review of the purchasing system it was noted that delivery notes are not signed to confirm quality and quantity of goods received.</p>	<p>There is a risk:</p> <p>i) That goods and services may be purchased which are not in line with School requirements; ii) Payments could be made by the School without receiving the goods/services, in the absence of proper verification of receipt;</p>	<p>The School should review the charge card policy and use of the school charge card to ensure that all purchases are reviewed and executed in accordance with requirements as approved within the School's Financial Management Policy and Procedures document, ensuring at all times that a separation of duties exists, sufficient budget is available, and a record is kept of delivery to the school.</p> <p>The school should refer to recent guidance issued by the Schools Finance Services Manager 'Purchasing Procedure-Supplementary Guidance.'</p> <p>On receipt of goods and services, the delivery notes should be signed and annotated 'unchecked'. All goods and services should then be checked, against the delivery note, for quality and quantity. This check should be recorded (signed for) on the delivery note and the copy order.</p>	
Management Response			Responsible Officer	Implementation By
<p>A) The charge card policy was approved by the LA on 5/1/17. We will amend it in line with the auditor</p> <p>B) The administrator, who processes payment, will not make payments until invoices are signed- if there is no delivery note available.</p>			<p>Finance Matters for Schools Headteacher</p>	<p>April 2017</p>

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P	Audit Objective & Detailed finding	Risk	Recommendation	
L	<p>3. Income Objective - To ensure that all income due to the school is identified, collected, receipted, recorded and banked promptly and that, administration arrangements are adequate and effective.</p> <p><u>Finding:</u> Our review of the income system found that attendance records are kept for the Breakfast club, and records are kept of money banked. However, there is no clear way of reconciling the register to the amounts that have been paid into the bank, and no records are kept to show amounts due. Budgeted income for breakfast club attendance in 2016/7 was £7,000.</p>	<p>There is a risk of errors, financial loss and possible fraud or misappropriation of income, in the absence of;</p> <ul style="list-style-type: none"> - Independent checks to confirm amounts banked agree to source records; - Clear audit trails and records for all income due/received. 	<p>Strict income controls and procedures should be in place to ensure effective financial management. Independent checks should be carried out to verify amounts banked agree to source records. These checks should be visibly evidenced. Refer to the Barnet Schools Financial Guide, section 7 (Income collection and administration) to ensure that there is a proper audit trail.</p>	
Management Response			Responsible Officer	Implementation By
The School are looking into a system similar to the school meals system to deal with breakfast club payments			School Business Manager	As soon as possible

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P	Audit Objective & Detailed finding	Risk	Recommendation	
M	<p><u>4. Payroll</u> The audit objective was to ensure the school has adequate control over its payroll costs and personnel data.</p> <p><u>Finding:</u> A review of current administration arrangements for Payroll found:</p> <ul style="list-style-type: none"> a. Timesheets that had been entered into the payroll system and paid between April 2015 and December 2016 had not been consistently signed by an authorised member of staff prior to entry. b. There were insufficient arrangements to ensure that payroll amendments made in relation to the School Business Manager who is responsible for payroll were independently overseen by a qualified member of staff or Governor. 	<p>There is a risk of error or fraud in the absence of independent checks over the monthly payroll reports. Segregation of duties reduces the risk of error or intentional manipulation through checks built into the routine.</p>	<p>As payroll constitutes the largest area of expenditure for the School, it is recommended that at least two officers are involved in checks over the monthly payroll reports. 'Control should be exercised through the segregation of duties between payroll preparation, review and final approval of payments.' The school should refer to the Financial Guide for schools section 4- Internal Financial Controls for guidance.</p>	
Management Response			Responsible Officer	Implementation By
<ul style="list-style-type: none"> a) All timesheets entered had been viewed by the previous Headteacher, who signed the cover sheet. This has now been addressed. b) The School Business Managers pay was independently overseen and approved by the governing body. The hours were entered (reduced) and the confirmation was emailed to the Headteacher. Moving forward, the school will introduce measure to ensure sufficient arrangements are in place. 			<p>Finance committee Headteacher School Business Manager</p>	<p>As soon as possible</p>

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P	Audit Objective & Detailed finding	Risk	Recommendation	
L	<p><u>5. Tax</u> Objective - To ensure that the school has arrangements to comply with the statutory requirement on taxation, including VAT and PAYE.</p> <p><u>Finding:</u> The school allows a local business to park in the school playground outside of school hours. No paperwork was available to formalise this agreement, and VAT has not been charged on the letting invoices.</p>	<p>There is a risk of penalties by HM Revenue and Customs if the school fails to comply with VAT regulations.</p>	<p>The school should refer to the Financial Guide for Schools section 8 (Taxation), and seek advice in order to ensure compliance.</p>	
Management Response			Responsible Officer	Implementation By
VAT will be added to the invoice			Finance Matters for Schools School Business Manager	April 2017

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P	Audit Objective & Detailed finding	Risk	Recommendation	
M	<p><u>6. Voluntary Funds</u> The audit objective was to ensure that voluntary funds are administered as rigorously as public funds.</p> <p><u>Finding:</u> The School fund was last audited for the year ended 31 March 2009. The bank account was closed in December 2015 and the balance of £50,191.88 was paid into the main school account. The accounts should have been audited each year within 6 months of the year end.</p>	<p>Failure to apply the same standards of financial accounting, which apply to income and expenditure for the school's delegated budget, could lead to misuse of funds and loss of revenue to the school.</p>	<p>The school should review section 10 (Unofficial funds) of the Financial Guide for Schools and take appropriate action in order to ensure compliance with regards to the administration its voluntary fund.</p> <p>The school should ensure that the school fund is audited and a report presented to the Governing Body. The Head teacher should ensure that the audited accounts are copied promptly to the local authority after the governing body has accepted them.</p>	
Management Response			Responsible Officer	Implementation By
<p>The School Business Manager had requested that the accounts be audited by the LA prior to this audit. The School Business Manager has requested that the accounts be audited again by the LA and has been assured that this will take place during the Summer Holiday. Finance committee will take ownership over this to ensure the audit takes place.</p>			Finance committee	Sep 2017

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P	Audit Objective & Detailed finding	Risk	Recommendation	
L	<p><u>7. Assets</u> The audit objective was to ensure that the school has adequate controls and records to safeguard its valuable/moveable assets and items of inventory.</p> <p><u>Finding:</u> A review of the school's manual inventory found that insufficient details were recorded for items purchased prior to May 2011 to comply with the Financial Guide for schools (no note of date of purchase or cost). There was no evidence of annual review, and it was noted that disposals did not appear to be up to date, as items listed on the inventory purchased prior to May 2011 could no longer be identified in school.</p>	<p>Failure to maintain a complete and accurate inventory could result in the School failing to identify possible lost/missing equipment and having insufficient details to provide in the event of an insurance claim.</p>	<p>The inventory records should be maintained up-to-date with sufficient information being recorded to enable items to be easily traced, i.e. the date of acquisition, supplier details etc. The School should review section 4.8 of the Financial Guide for Schools (Control of Assets), and take appropriate action in order to ensure the assets of the school are protected.</p>	
Management Response			Responsible Officer	Implementation By
<p>The School accepts that the Fixed Asset Register needs reviewing. The School will look into the most appropriate way of doing this once a School Business Manager has been appointed</p>			<p>School Business Manager</p>	<p>As soon as possible</p>

Appendix A: Statement of Responsibility

We take responsibility for this report, which is prepared on the basis of the limitations set out below:

- The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or all improvements that might be made.
- Our recommendations for improvements should be assessed by you for their full impact before they are implemented.
- The performance of internal audit work is not, and should not be taken as a substitute for the School's responsibilities to ensure the application of sound financial management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with the School and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity.
- Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.
- Internal audit procedures are designed to focus on key areas of financial management considered to be of greatest risk and significance and as such we rely on the School to provide full access to accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents.
- Effective and timely implementation of our recommendations by the School is important for the maintenance of a reliable internal control system.

Appendix B: Guide to assurance and priority

The following is a guide to the assurance levels given:

	Substantial Assurance	The standard of controls operating in the systems audited at the School is robust and provides substantial confidence that the School is protected from loss, waste, fraud or error.
	Satisfactory Assurance	The standard of controls operating gives satisfactory assurance that the School is protected from loss, waste fraud or error but there may be areas which need to be strengthened to provide robust confidence in the system of internal control.
	Limited Assurance	The standard of controls is insufficient to give confidence that the School is protected from loss, waste, fraud or error. Prompt attention needs to be given to strengthening one or more areas of the control system before sufficient confidence is provided.
	No Assurance	The standard of controls is poor and places the School in potential danger of loss from waste, loss, fraud or error. Urgent attention needs to be given by management to addressing weaknesses identified in the audit.

Priorities assigned to recommendations are based on the following criteria:

1. **Priority High** – Fundamental issue where action is considered imperative to ensure that the School is not exposed to high risks, also covers breaches of legislation and policies and procedures. Action to be effected within 1 to 3 months.
2. **Priority Medium** – Significant issue where action is considered necessary to avoid exposure to risk. Action to be effected within 3-6 months.
3. **Priority Low** – Issue that merits attention/where action is considered desirable. Action usually to be effected within 6 months to 1 year.

APPENDIX C: Review of Schools Financial Values Standard 16/17

LIST OF QUESTIONS	SCHOOL RESPONSE	AUDIT CONCLUSION FOLLOWING REVIEW OF COMMENTS, EVIDENCE AND PROPOSED ACTIONS
A: The Governing Body and School Staff		
1. In the view of the governing body itself and of senior staff, does the governing body have adequate financial skills among its members to fulfil its role of challenge and support in the field of budget management and value for money?	Yes/In Part	IN PART – Governor competency forms not available for review. Skills gap not addressed on a timely basis.
2. Does the governing body have a finance committee (or equivalent) with clear terms of reference and a knowledgeable and experienced chair?	Yes	Agreed
3. Is there a clear definition of the relative responsibilities of the governing body and the school staff in the financial field?	Yes	Agreed
4. Does the governing body receive clear and concise monitoring reports of the school’s budget position at least three times a year?	Yes	Agreed
5. Are business interests of governing body members and staff properly registered and taken into account so as to avoid conflicts of interest?	Yes	Declaration forms were not completed by Governors or staff in 2016. Information on the School Website is not up to date.
6. Does the school have access to an adequate level of financial expertise, including when specialist finance staff are absent, eg on sick leave?	Yes	Agreed
7. Does the school review its staffing structure regularly?	Yes	Agreed
8. Have your pay decisions been reached in accordance with a pay policy reflecting clear performance criteria?	Yes/In Part	Agreed
9. Has the use of professional independent advice informed part of the pay decision process in relation to the headteacher?	Yes	Agreed
B: Setting the Budget		
10. Is there a clear and demonstrable link between the school’s budgeting and its plan for raising standards and attainment?	Yes/In Part	Agreed
11. Does the school make a forward projection of budget, including both revenue and capital funds, for at least three years, using the best available information?	Yes	IN PART – Three year budget has not been consistently prepared and reviewed
12. Does the school set a well-informed and balanced budget each year (with an agreed and timed plan for eliminating any deficit)?	Yes	IN PART – The School accountant stated that the 2016 budget was incomplete
13. Is end year outturn in line with budget projections, or if not, is the governing body alerted to significant variations in a timely manner, and	Yes	IN PART – The School accountant made significant changes to the school budget in February 2017 to ensure

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do they result from explicitly planned changes or from genuinely unforeseeable circumstances?		that year outturn will be in line with budget projections
C: Value for Money		
14. Does the school benchmark its income and expenditure annually against that of similar schools and investigate further where any category appears to be out of line?	Yes	IN PART – The School accountant completed benchmarking on 2 February 2017 prior to submission of the SFVS return.
15. Does the school have procedures for purchasing goods and services that both meet legal requirements and secure value for money?	Yes	Agreed
16. Are balances at a reasonable level and does the school have a clear plan for using the money it plans to hold in balances at the end of each year?	No	Balances are not at a reasonable level – the school is forecasting a deficit for 2016/17. The plan for 2017/18 suggests that savings of £114,801 in staffing costs will be made.
17. Does the school maintain its premises and other assets to an adequate standard to avoid future urgent need for replacement?	Yes	Agreed
18. Does the school consider collaboration with others, eg on sharing staff or joint purchasing, where that would improve value for money?	Yes	Agreed
19. Can the school give examples of where it has improved the use of resources during the past year?	Yes	Agreed
D: Protecting Public Money		
20. Is the governing body sure that there are no outstanding matters from audit reports or from previous consideration of weaknesses by the governing body?	Yes	IN PART – Two findings from the previous audit have been repeated (Purchasing/Voluntary funds).
21. Are there adequate arrangements in place to guard against fraud and theft by staff, contractors and suppliers (please note any instance of fraud or theft detected in the last 12 months)?	Yes	Refer to audit Findings/Recommendations -Purchasing /Income/Payroll/Assets, which should be addressed to ensure procedures are as robust as possible.
22. Are all staff aware of the school's whistleblowing policy and to whom they should report concerns?	Yes	Agreed
23. Does the school have an accounting system that is adequate and properly run and delivers accurate reports, including the annual Consistent Financial Reporting return?	Yes	Agreed
24. Does the school have adequate arrangements for audit of voluntary funds?	N/A	IN PART – The audit of the school fund is outstanding
25. Does the school have an appropriate business continuity or disaster recovery plan, including an up-to-date asset register and adequate insurance?	Yes	IN PART – Asset register is not complete